

### CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 2000 by and between CareFirst, Inc. and its Affiliated Companies (the "Company") and Thomas C. Rekart, ("Executive").

WHEREAS, the Company currently employs Executive and desires to enter into this Change of Control Agreement (the "Agreement"), and the Executive desires to enter into such an Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises of the parties set forth herein, the Company and Executive agree as follows:

1. **Employment.** Subject to the terms and conditions set forth herein, the Company agrees to continue to employ the Executive in the capacity of Senior Vice President & Chief Information Officer of the Company and to cause each of CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc. ("Affiliated Companies") to employ the Executive, on an at will basis, as its Senior Vice President and Chief Information Officer, and the Executive agrees to be so employed. Executive will assume executive responsibilities for additional subsidiaries of the Company as determined by the Board of Directors and/or the President and Chief Executive Officer of CareFirst, Inc.

2. **Term.**

This Agreement will commence as of August 14, 2000 (the "Commencement Date") and will continue for one (1) year. On the first (1<sup>st</sup>) anniversary and each succeeding anniversary of the Commencement Date, the term of this Agreement will automatically be extended for an additional one-year period unless, (i) not later than six (6) months prior to any such anniversary, either party to this Agreement will have given written notice to the other that the term of this Agreement will not be extended or further extended, as the case may be, or (ii) the parties agree to extend or further extend, as the case may be, the term of this Agreement for a period of greater than one year. Such extended or further extended term will then constitute the term of this Agreement.

3. **Duties.**

a. In his capacity as Senior Vice President and Chief Information Officer of the Company, the Executive will have the duties, responsibilities and authority normally associated with the office and position of Senior Vice President and Chief Information Officer. The Executive will report to, and be subject to the sole direction of, the President and Chief Executive Officer of CareFirst, Inc., or his designee.

b. The Executive will diligently and conscientiously devote his best efforts and such business time as is reasonably necessary in discharging his duties under this Agreement.

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4. **Termination Without Cause or for Good Reason in Connection with Change of Control.** The Company may, at its election and upon written notice to the Executive, terminate the Executive's employment for any reason or no reason, with or without Cause. (All payments made to or in respect of the Executive pursuant to this Section 4 shall be made in a cash lump sum at the Company's discretion, at time of termination, except where this Agreement or the plan pursuant to which such payment is to be made provides otherwise. Where this Agreement or plan provides for payment other than by cash lump sum, the Company shall have the option, in its sole discretion, to make payment in whole or in part by cash lump sum, including converting any benefits due to be provided over a period of time into a cash lump sum equal to the present value computed at the short-term applicable federal rate under § 1274 of the Internal Revenue Code of the cost of providing such benefit(s) to the Executive over a period of time.) In the event the Executive's employment is terminated under this Agreement, as the result of a Change of Control, the Company shall provide Executive with outplacement services consistent with those provided executives under the Company's Severance Plan. Such outplacement services shall include, but shall not necessarily be limited to, office space, secretarial support, and one-on-one counseling. All benefits provided under this Agreement are in lieu of any and all benefits under the Company's Severance Plan. The Company shall provide references for the Executive in accordance with and consistent with the Company policy on references.

a. **Compensation and Benefits:** If during the term of this Agreement and within ninety (90) days before or one (1) year following a Change of Control, Executive's employment is terminated either by the Company without Cause or by the Executive for Good Reason, the Executive will be entitled to receive:

(i) his Base Salary (prior to any salary reduction therein constituting a Good Reason for termination as set forth in Section 6(e)(v)) through the date of such termination of employment;

(ii) a cash lump sum amount equal to: one and a half (1 1/2) times such Base Salary (it being understood that the payment of three quarters (3/4) of such Base Salary is in additional consideration of the Executive's performance of the covenants set forth in Section 5(b) of this Agreement) and one and a half (1 1/2) times the Executive's target award under the Company's annual incentive plan (prior to any salary reduction therein constituting a Good Reason for termination as set forth in Section 6(e)(v));

(iii) provided the Executive is otherwise eligible under the terms of the Company's long-term incentive plan, a payout consistent with the terms, conditions and definitions of Change of Control set forth in the Long Term Incentive Plan;

(iv) for the one (1) year period commencing on the day after such termination of his employment, the Company shall cause the

Executive to be provided, on the same terms and conditions as provided immediately prior to the Change of Control (and prior to any salary reduction therein constituting a Good Reason for termination as set forth in Section 6(e)(v)), benefits, limited to medical, prescription drug, vision and dental insurance;

(v) provided the Executive is otherwise eligible under the terms of the Company's supplemental retirement plan(s), a payout consistent with the terms, conditions and definitions of the plan(s);

(vi) any deferred Base Salary and/or incentive awards to which the Executive is otherwise eligible including, without limitation, interest or other credits on any such deferred amounts; and

(vii) any other compensation or benefits that may be due or provided to the Executive, in such circumstances, in accordance with the terms and conditions of any applicable employee benefit plans of the Company (prior to any salary reduction therein constituting a termination for Good Reason as set forth in Section 6(e)(v)).

Continuing employment with the Company or the acceptance of a new position with the Company or with the most senior resulting entity, other than as Senior Vice President and Chief Information Officer, after a Change of Control, merger, acquisition or other similar affiliation with another entity will be deemed to be a waiver of Executive's right to terminate his employment for Good Reason under this Section 4 of this Agreement, unless the Executive accepts a new position and elects to terminate his employment within three (3) months after acceptance of the new position. Notwithstanding the above, in no event shall the three (3) month period extend the twelve (12) month period from the date of the Change of Control to terminate employment for Good Reason under this Agreement.

b. **Release.** In consideration of the payment or provision by the Company of the payments and benefits described in Section 4 of this Agreement, and as a condition to the Company's obligation to pay or to provide same, the Executive shall execute a release in a form reasonably acceptable to the Company and to the Executive and to the benefit of the Company, its subsidiaries, and their respective, officers, directors, employees, agents, successors and assigns, from any and all actions, claims, causes of action or complaints that he or anyone claiming through him then or thereafter may have for any event that is related to his employment with the Company, the terms and conditions of such employment or the termination of such employment. Such actions, claims, causes of action or complaints shall include, without limitation, any allegation of discrimination in employment on the basis of age, sex, race, color, national origin, ancestry, religion, or physical or mental disability or any other protected classification under, as the case may be, any federal, state or municipal statute or regulation now or hereafter in effect; any breach of contract, impairment of economic opportunity, negligent or intentional infliction of emotional distress, misrepresentation, defamation,

interference with contractual or advantageous relationships, or breach of any covenant of good faith and fair dealing; and any other action in contract, tort or otherwise, or under any federal, state or municipal statute or regulation relating to the Executive's employment with the Company, the terms and conditions of such employment or the termination thereof. Notwithstanding the foregoing, such release shall not extend to nor shall it include any action, claim, cause of action or complaint that the Executive may have against the Company for any breach or violation of the terms of this Agreement, or any other right or claim, that arises, in either event, after the date on which such release is executed.

**5. Certain Restrictions.**

**a. Confidentiality.**

The nature and terms of this Agreement, the discussions leading thereto, and the Executive's selection to participate in this Agreement are confidential and shall not be disclosed by the Executive to other employees of the Company or any third party not in a need to know position. Violation of this provision will render this Agreement null and void and the Company will be entitled to recoup any and all payments made under this Agreement including all costs and reasonable attorney's fees necessary to enforce this paragraph.

The Executive acknowledges that he has acquired and will acquire confidential information reflecting the business of the Company, its subsidiaries and affiliates, including, but not limited to, business plans, financial information, acquisition prospects, customer and supplier lists (as such terms may relate to the businesses and other trade secrets or know-how of the Company, including a subsidiary of the Company) as they may exist from time to time (collectively, "Confidential Information"), which are valuable, special and unique assets of the Company's business, access to knowledge of which is essential to the performance of the Executive's duties hereunder. Accordingly, the Executive will not disclose, at any time (during his employment under this Agreement or thereafter), such Confidential Information, other than in connection with the performance of his duties under this Agreement or if required to disclose Confidential Information pursuant to law, subpoena, court order, or requirements of Executive's counsel, provided that after the term of his employment, these restrictions will not apply to such Confidential Information which is then in the public domain (provided that the Executive was not responsible, directly or indirectly, for such Confidential Information entering the public domain without the Company's consent).

**b. Competitive Activity.**

- (i) The Executive will not, during the term of his employment and, if

his employment is terminated by the Company or the Executive under this Agreement, for a period of one (1) year thereafter, without prior consent of the President and Chief Executive Officer, engage or participate in any of the following activities within the States (including the District of Columbia) in which the Company does business:

(a) directly or indirectly, knowingly engage or be interested in (as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise), with or without compensation, any business which is in competition with the business conducted by the Company, any successor to the Company's business, or any of their subsidiaries; except that the Executive will be entitled to own up to a five percent (5%) interest in a publicly traded corporation notwithstanding the above; or

(b) employ or retain (or participate in or arrange the employment or retention of) any person who was as of the Termination of this Agreement employed or retained by the Company, any successor to the Company's business or any of their subsidiaries. For such Agreement Period, the Executive will also not interfere with, disrupt or attempt to disrupt, the relationship, contractual or otherwise, between the Company or its subsidiaries and any customer, supplier, lessor or lessee of the Company.

(ii) Notwithstanding the above, the Executive will not be precluded from accepting employment with a health care organization so long as any competition between the health care organization and the Company and their subsidiaries is insignificant.

(iii) The consideration for the foregoing covenant not to compete, the sufficiency of which is hereby acknowledged, is the Company's agreement to employ the Executive and provide compensation and benefits pursuant to this Agreement, during or with respect to the one-year non-compete period set forth in Section 4(b)(i), the full and timely payment of which compensation and benefits by the Company is an express and continuing condition precedent to the Executive's obligations under this subsection.

c. **Remedy for Breach and Modification.** The Executive acknowledges that the provisions of this Section 5 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if these provisions are not specifically enforced. Accordingly, the Executive agrees that, in addition to any other relief or remedies available to the Company, including but not limited to recoupment of all consideration made for this Section 5, costs and reasonable attorneys' fees, the Company will be entitled to seek and obtain an appropriate injunction or other equitable remedy for the purposes of restraining the Executive from

any actual or threatened breach of or otherwise enforcing these provisions and no or security will be required in connection therewith. If any restriction set forth in Section 5 is held by a court of competent jurisdiction to be unenforceable with respect to one or more geographic areas, lines of business and/or months of duration, then Executive agrees, and hereby submits, to the reduction and limitation of such restriction to the minimal extent necessary so that the provisions of Section 5 shall be enforceable. If any other provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future law, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision were never a part hereof; and the remaining provisions shall remain in full force and shall not be affected by the illegal, invalid, or unenforceable provision, or by its severance.

**6. Certain Definitions.**

In addition to those terms defined elsewhere in this Agreement, the following terms have the meaning set forth below:

- a. **Board of Directors** means the Board of Directors of CareFirst, Inc.
- b. **Boards of Directors** means the Boards of Directors of:
  - (i) CareFirst, Inc.;
  - (ii) CareFirst of Maryland, Inc.; and
  - (iii) Group Hospitalization and Medical Services, Inc.
- c. **Cause** means one or more of the following:
  - (i) The Executive's conviction of, or plea of guilty or nolo contendere to, any felony or crime involving moral turpitude;
  - (ii) Embezzlement or criminal diversion of funds by the Executive; or
  - (iii) The failure (other than due to Disability) of the Executive to perform or to comply with any material term or condition of this Agreement.
- d. **Change of Control** means:
  - (i) a merger, acquisition, consolidation or other transaction involving the Company after which the individuals who constituted members of the Board of Directors twelve (12) months before the consummation of such transaction do not constitute a majority of the Board of Directors or other similar governing body of the most senior resulting business entity after such transaction; or

(ii) a sale, lease or exchange of more than 50% of the assets of the Company, or more than 50% of the stock or other equity interests in the Company, to one or more organizations or entities not more than 50% owned by the Company or the Affiliated Companies after the consummation of such transaction.

In addition, a Change in Control shall be deemed to have occurred if; during any period of twenty four (24) consecutive months, individuals who at the beginning of such period constituted the Board cease for any reason to constitute at least a majority thereof unless the election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the twenty-four-month period.

Notwithstanding the foregoing, a Change Of Control shall in no event be deemed to have occurred if the Company is placed in receivership or under control of the Commissioner of Insurance with jurisdiction over the Company, and Executive shall not receive any severance pay under Section 7 of this Change of Control Agreement if any local, state, or federal regulator assumes control of the Company.

e. Good Reason means that in the event of a Change of Control:

(i) the Company's failure to extend the term of this Agreement as described above in Section 2;

(ii) a material reduction in Executive's responsibilities, duties, authority, or title;

(iii) if there is a Change of Control, merger, acquisition or other similar affiliation with another entity and Executive does not continue as the Senior Vice President and Chief Information Officer of the most senior resulting entity (i.e., holding company);

(iv) the transfer of Executive to a location that results in a commuting distance for Executive that is more than fifty (50) miles greater than Executive's commute as of the date of this Agreement;

(v) a reduction in Executive's salary or a material diminution in the benefits afforded the Executive as of the date of this Agreement;

(vi) a material decrease in the amounts that may be earned by the Executive under, or a material increase in the standards applicable to the Executive for earning amounts under, the Company's annual and long-term incentive plans as of the date of this Agreement, in each case without the Executive's written approval;

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(vii) the Company's breach of any material term of this Change of Control Agreement, including, but not limited to, the Company's failure, after due demand, to provide or pay Executive any of the compensation or benefits due under this Change of Control Agreement; or

(viii) the failure of the Company to obtain an agreement from any successor to assume and agree to perform this Agreement.

If Executive provides a notice of termination in connection with an event described in clauses (i) through (viii) of this Section 6(e), to the Company, the Company will have thirty (30) calendar days from the date of receipt of such notice to effect a cure of the event described therein, and upon cure thereof by the Company to Executive's reasonable satisfaction, such event will no longer constitute Good Reason for purposes of this Agreement.

7. **Excise Tax.** Notwithstanding any provision of this Agreement, if the receipt by the Executive of any amount for compensation or benefits payable under this Agreement or any other plan, program, agreement, or arrangement of the Company relating to the Executive causes the imposition of a tax on the Executive under section 4999(a) of the Internal Revenue Code, or any successor provision (an "Excise Tax"), the Company shall pay to the Executive in cash such additional amount as is necessary so that the total amount received by the Executive under this Agreement and any such other plan, program, agreement, or arrangement and retained by him after payment of any taxes on such total amount (including, without limitation, any federal, state, or local income taxes and any taxes imposed by such section 4999(a) and including, without limitation, any taxes in respect of any amount paid under this section 7) shall not be less than the net after-tax amount he would have received had such Excise Tax not been imposed. The Company shall pay such additional amount to the Executive within thirty (30) days after the day on which the Executive notifies the Company that, and only to the extent that, (a) the Company has withheld from him an amount in respect of such Excise Taxes, (b) the Executive has made a payment of estimated tax in respect of Excise Taxes, (c) the Executive has filed an income tax return for the year for which any Excise Taxes are due, showing such Excise Taxes as being due, or (d) an Excise Tax liability has been asserted by a taxing authority; *provided*, however, that the Executive shall, at the Company's written request and at its sole cost and expense, take such steps as may reasonably be required by the Company to contest any such assertion of liability if the amount of Excise Taxes to be contested is at least \$50,000.

#### 8. **Miscellaneous.**

a. **Nonwaiver.** Except to the extent waived in a writing signed by the waiving party, the failure of any party to insist upon strict adherence to any term of this Agreement on any occasion will not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this



Agreement.

b. **Assignment.** Except as otherwise provided in this Section 8(b) and subject to Section 8(i)(iv) below, this Agreement will inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement will not be assignable by the Executive, and will be assignable by the Company without the consent of the Executive to any company, subsidiary or other entity resulting from the reorganization, merger or consolidation of the Company with any other company or entity, or any company or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other company or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (but no such acceptance of an assignment shall have any effect on whether such transaction constitutes a "Change of Control" as defined in Section 6).

c. **Notices.** All notices and other communications hereunder will be in writing and will be given by hand-delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

10455 Mill Run Circle  
Owings Mills, MD 21117

If to the Company:

Executive Vice President, Chief of Staff  
CareFirst of Maryland, Inc.  
10455 Mill Run Circle  
Owings Mills, Maryland 21117

or to such other address as either party will have furnished to the other in accordance herewith. Notices and communications will be effective when actually received by the addressee.

d. **Withholding.** The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as will be required to be withheld pursuant to any applicable law or regulation.

e. **Severability.** The invalidity or unenforceability of any provision of this

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Agreement will not affect the validity or enforceability of any other provision of this Agreement.

f. **Company Policies, Plans and Programs.** Except as otherwise provided in this Agreement, whenever any rights under this Agreement depend on the terms of a policy, plan or program established or maintained by the Company, any determination of these rights will be made on the basis of the policy, plan or program in effect at the time as of which determination is made. Except as otherwise provided in this Agreement, no reference in this Agreement to any policy, plan or program established or maintained by the Company shall preclude the Company from prospectively or retroactively changing or amending or terminating that policy, plan or program or adopting a new policy, plan or program in lieu of the then-existing policy, plan or program.

g. **Survival.** The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement or the Executive's employment hereunder to the extent necessary to the intended preservation of such rights and obligations.

h. **Resolutions of Disputes.**

(i) If a dispute arises regarding a termination of Executive's employment or the validity, interpretation or enforcement of this Change of Control Agreement or the right of Executive to receive or retain any benefit or payment contemplated hereby, the Executive shall be responsible for all legal fees and expenses incurred by Executive in contesting or disputing any such termination or seeking to obtain, enforce or retain any right, benefit or payment provided for in this Change of Control Agreement or in otherwise pursuing or settling any claim hereunder will be paid by the Company. However, if Executive prevails in any formal proceeding brought by Executive against the Company to enforce a provision of this Change of Control Agreement, the Company shall be responsible for the reasonable legal fees and expenses incurred by him in connection with such formal proceeding.

(ii) The Company agrees to pay interest on any payments to be made to Executive under this Agreement not paid within thirty (30) days after the date when due and on any money judgment awarded to Executive following a proceeding, to enforce any portion of this Change of Control Agreement, calculated at the prime interest rate publicly announced by Citibank, N.A. at its principal office from time to time as being its prime rate (with any changes in such prime rate being effective as of the opening of business on the date such change is announced), from the date that payments should have been made under this Change of Control Agreement to the time of

actual payment.

i. **Miscellaneous.**

(i) This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(ii) This Agreement represents the entire understanding of the parties hereto, supersedes any and all other and prior agreements between the parties. The terms and provisions of this Agreement may not be modified or amended, except by means of a written amendment executed by both parties.

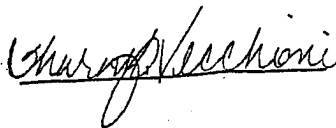
(iii) This headings in this Agreement are for convenience or reference only and shall not be considered as part of this Agreement nor limit or otherwise affect the meaning hereof.

(iv) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

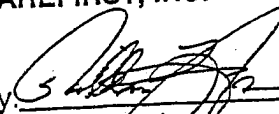
(v) This Agreement shall be construed and enforced in accordance with the laws of the State of Maryland without reference to the principles of conflicts of law.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal on the date first above written.

WITNESS/ATTEST:



CAREFIRST, INC.

By  (SEAL)  
William L. Jew  
President and Chief  
Executive Officer

Sharon Keshion

CAREFIRST OF MARYLAND, INC.

By: [Signature] (SEAL)  
William L. Jews  
President and Chief  
Executive Officer

Sharon Keshion

GROUP HOSPITALIZATION  
AND MEDICAL SERVICES, INC.

By: [Signature] (SEAL)  
William L. Jews  
President and Chief Executive  
Officer

Sharon Keshion

Thomas C. [Signature] (SEAL)  
(Name of Executive)

Agreements/Change of Control Agreement 8-4-00